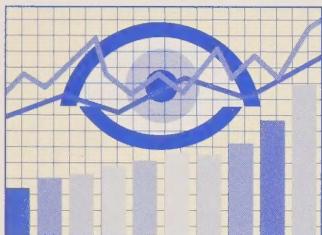


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Teachers' Pension Plan Board  
Conseil du régime de retraite des enseignantes et des enseignantsIssue 11  
Fall 1995

## Eye On Investments



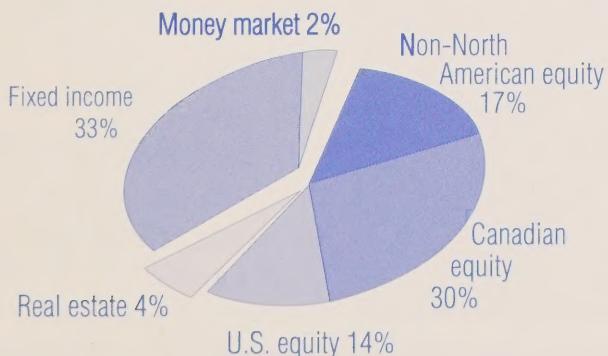
## Board Buys Part of Real Estate Giant

In July we completed a deal with the real estate giant **Cadillac Fairview** that includes purchasing 20% of the company, interest in two malls and a loan secured by the Toronto-Dominion Centre property in Toronto.

We purchased 20% ownership in Cadillac Fairview for \$200 million and purchased 75% ownership in two shopping malls, Fairview Park in Kitchener and Georgian Mall in Barrie, for a total of \$149 million. We also provided Cadillac with a loan of \$101 million, with Toronto-Dominion Centre property as the primary security.

The deal with Cadillac was 18 months in the making. The company owns interest in many of Canada's high-quality properties, including the Toronto Eaton Centre, the Toronto-Dominion Centre and the Pacific Centre in Vancouver.

### Asset mix (at September 30, 1995)



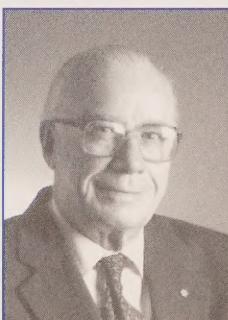
The recent acquisitions increase the total real estate portfolio to \$1.6 billion, or 4% of the plan's assets, which is well within the asset target range.

In 1994 the real estate holding earned a rate of return of 5.4%, outperforming the benchmark (the Frank Russell Index) of -1.7%. ☺

## Paint Retailers Merge

In August, **Color Your World Corp.** merged with the competition, **St. Clair Paint and Wallpaper**. We exchanged our investment in Color Your World for 21% of the publicly traded St. Clair.

The new company, which will continue to be known as St. Clair, operates 450 stores across Canada and generates annual sales of about \$250 million. ☺



### Gerald Bouey retires as board chairperson

After six years at the helm, Gerald Bouey will retire as chairperson of the board at the end of December.

Please see page 2.

## What's Inside...

- 👉 Ted Medland to replace Bouey, page 3
- 👉 The Board as your pension guardian, page 4
- 👉 Your pension increase 1.6%, page 5



# Bouey's Term Improved Service to Members, Diversified Assets

*What follows is an excerpt from Mr. Bouey's remarks to the OTF Board of Governors in August shortly after he announced his intentions to retire.*

The past six years or so have been, to say the least, challenging. This alone has made it all worthwhile for me.

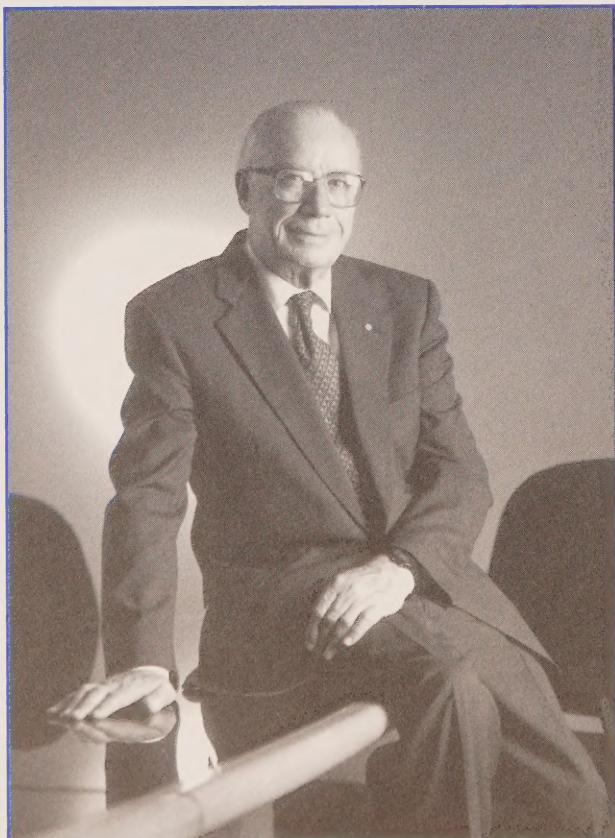
In 1990, new legislation created the Ontario Teachers' Pension Plan Board. We set forth with two basic goals—to improve the quality of pension services and to diversify the plan's assets.

These goals necessitated a transformation to a more dynamic organization. I'm delighted to have played a role during this critical time in the Board's history.

I have watched the fund grow to \$38 billion, the largest invested pension fund in Canada. And I've watched customer service improve so now there's no backlog and members are served better and faster than ever before.

The directors have a responsibility to keep a mindful watch over the investments of the fund because teachers have much more to worry about than the management of their pension plan.

The directors also have a responsibility to ensure teachers and pensioners continue to receive an ever improving level of customer service.



Gerald Bouey, Chairperson of the Board 1990 to 1995.

## Gerald Bouey's Distinguished Career

Gerald Keith Bouey began his career in 1936 as a 16-year-old Royal Bank teller in the small south Saskatchewan town of Ogema, near his home town of Trossachs. "We didn't worry much about the possibility of a holdup," says Bouey about his bank teller job during the depths of the Depression, "but we were terrified that someone might actually try to borrow some of the bank's money."

In 1945, following four years of war-time service with the Royal Canadian Air Force, Mr. Bouey attended Queen's University in

Kingston. He joined the economic research department of the Bank of Canada after graduating with a degree in economics in 1948.

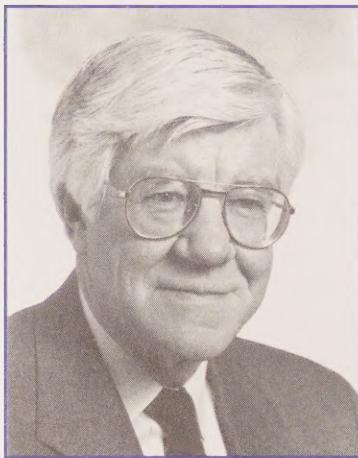
Twenty-five years later, he had risen through the ranks to become Canada's top banker. Mr. Bouey is the fourth Governor of the Bank of Canada and served from 1973 to 1987.

He was appointed Companion of the Order of Canada in 1987. Mr. Bouey was appointed chairperson of the Ontario Teachers' Pension Plan Board in 1990.

# New Chairperson Brings Continuity and Expertise

Charles Edward (Ted) Medland, a director on the Ontario Teachers' Pension Plan Board,

replaces Gerald Bouey as chairperson of the board in January.



*Ted Medland*

Ted Medland was born in Toronto. While a student, Mr. Medland worked the summers picking fruit on Niagara district fruit farms and hauling eight-gallon

cans of milk at Clover Meadow Creamery, a small dairy his family owned located near Toronto's College and Dufferin streets.

He studied at the University of Toronto where he graduated with a bachelor of arts degree in 1950.

He spent his 38-year career in finance at Wood Gundy, where he became chief executive officer in 1972 and chairman and CEO in 1978. Mr. Medland retired from Wood Gundy in July 1988.

"I'm truly honoured to have been asked by both partners to serve as chairperson of the Board," says Mr. Medland. "During the past six years or so, I have watched the Teachers' Pension Plan thrive under Gerald's capable leadership. I hope to bring continuity of experience and expertise to the job."

Mr. Medland has been a director of the Teachers' Pension Plan since 1990, all of that time as chairperson of the Investment Committee. He is also a director of a number

of public and private corporations including: Abitibi Price Inc., CT Financial Services Inc., Canadian Tire Corp., Ltd., Quorum Growth Inc., The Seagram Co. Ltd., Teleglobe Canada Inc., The Thomson Corp. and the University of Toronto Foundation. Mr. Medland is the former chairperson of the Investment Dealers Association of Canada and past chairperson and director of Wellesley Hospital Foundation. ☐



**Q.** *Now that the fund is doing so well, when can pensioners share in the profits?*

*N. Stirling, Oshawa*

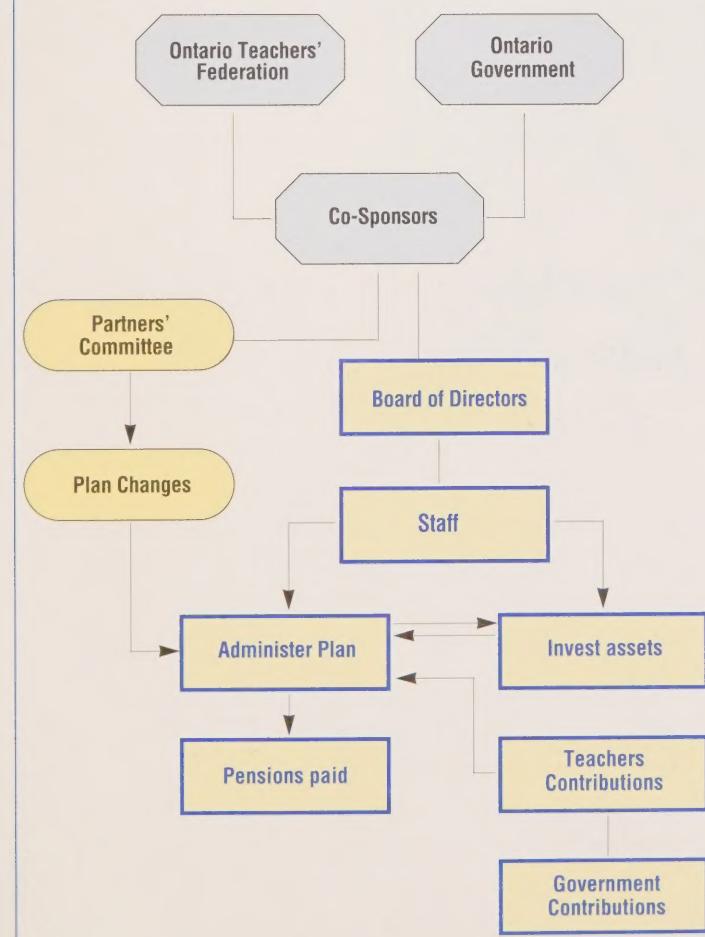
**A.** The fund is doing well—since 1990 it has more than doubled to \$38 billion. However, the liabilities have increased as well. We estimate we'll need over \$40 billion to pay all pensions promised to pensioners and current teachers. The fund will need to continue to do well to reduce this deficiency.

In addition, your pension is set at retirement based on your final salary and years of teaching; it also increases with inflation each year. Any changes to pension benefits are decided by the Partners' Committee. This committee is independent of the pension board and has equal representation from the Ontario Teachers' Federation and the Ontario government. ☐

# Partners' Committee Separate from the Board

Under the Partners' Agreement, the six-member Partners' Committee is responsible for changes in plan design such as contribution rates and changes in benefits. Three members of the committee are from OTF, and three are from the Ontario government. The members of the Partners' Committee are not members of the Board of Directors.

The Ontario Teachers' Pension Plan Board administers the plan and invests its assets. The board cannot change benefits.



*The Board administers the plan and invests its assets. Only the Partners' Committee can change benefits.*

# The Board Protects Interest of all Teachers

The Ontario Teachers' Pension Plan Board has a responsibility to administer the fund in the best interests of present and future members and their survivors.

This duty is vested in a nine-member Board of Directors. Four directors are appointed by the Ontario Teachers' Federation and four directors are appointed by the Ontario government. The ninth member, the chairperson, is jointly appointed.

Day-to-day management is delegated by the Board of Directors to Claude Lamoureux, president and chief executive officer, and his staff.

Responsibilities of the directors include:

- set policy, establish limits and guidelines for investments
  - approve investments above specified limits
  - set policy to continuously improve levels of customer service
  - obtain an actuarial funding valuation at least every three years—this a sophisticated estimate of several variables, such as the plan's expected rate of return and inflation, and is used to determine contribution rates for teachers and government
  - approve salaries and bonuses for staff
  - ensure an independent financial audit is done annually

The directors meet 10 times a year. By law, they are required to act independently of the pension plan's sponsors to protect the interest of all members. 

## HIPs: A New Basket of Stocks

Teachers' bought \$52 million worth of TSE 100 participation units. The units are listed on the Toronto Stock Exchange under the name 'HIPs.'

HIPs is a new product. It is a trust set up by the Toronto Stock Exchange (TSE) that has as its underlying asset, the TSE 100. These are 100 well-known companies like Abitibi-Price Inc., Air Canada, BCE Inc., Royal Bank and Magna International.

The initial stock offering went on sale in October and we have acquired over 30% of the six million HIPs units issued.

HIPs is a product for both institutional and individual investors. Currently, individual units are trading at about \$27. HIPs is also a qualified investment for registered retirement savings plans. If you want exposure to the stock market without the risk of buying an individual stock, or if HIPs fits your portfolio, contact a stock broker.

Most of the stocks we buy are well-known companies with good growth records and large assets. Approximately two-thirds of the pension plan's \$38 billion assets are invested in stocks. ☺

### FINANCIAL HIGHLIGHTS

	<i>September 1995</i>	<i>December 1994</i>
<b>Total Assets</b>	<b>\$38.0 billion</b>	<b>\$35.1 billion</b>
<b>Rate of return (4 year average)</b>	<b>13.2%</b>	<b>12.7%</b>

## 1.6% Increase to Pensions Begins in January



The inflation adjustment will be 1.6% starting with your January 1996 payment. It is based on the Consumer Price Index (CPI) for Canada over the last 24 months.

We calculate the inflation adjustment slightly differently than others you may hear reported. By calculating inflation over 24 months instead of 12, we smooth out increases and decreases in inflation, giving you a steadier increase year by year. ☺

### ► *Teaching after retirement?*

## 'Employed in Education' Can Mean More than Teaching

You're employed in education if you mark papers, teach or act as an educational consultant for

- the Ontario government
- an Ontario school board
- an Ontario faculty of education.

You're also employed in education if you work for an Ontario school board in any capacity—including a non-teaching position.

It's important to know what constitutes employment in education because there are limits to the number of days you can work per school year without affecting your pension. ☺



## Reminder

### Pension Deposited December 29

Just a reminder, your December pension will be deposited to your account on the last business day of the year, December 29.

Your pension is now paid on the last business day of each month. ☺

### REAL-LIFE RETIREMENT



*Bill Hamblen and his wife Margot own and operate the 47-acre Hamblen Christmas Tree Farm in Athens, Ontario. Bill retired in 1989, but the family began farming in 1970 on land granted to his United Empire Loyalist ancestors more than 200 years ago.*

**IF YOU HAVE an interesting retirement story please let us know.**



### Your Pension Can Soon Be Paid in a Foreign Currency

If you spend time in another country, we will soon be able to send you your monthly pension cheque in a foreign currency, saving you time and money.

By receiving your pension cheque in a foreign currency, you'll save:

- *bank charges*—funds are already converted prior to deposit
- *currency transaction fees*—your pension will be exchanged at the market rate
- *collection charges*—funds are drawn against a foreign bank, not our Canadian account

### Want to sign up?

Please contact us for an authorization if you'd like to arrange this new service. As soon as the process is complete, we'll start to send you your pension cheques by overnight courier in the currency of the country where we send your payment. ☺

### Pension News

*Pension News* is published for pensioners by the Communications Department of the Teachers' Pension Plan Board.

If you have any comments or ideas, call me at (416) 730-5357 or write to:

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